

NOV 17 2010
US DISTRICT COURT
WESTERN DISTRICT OF NC

UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF NORTH CAROLINA
STATESVILLE DIVISION

UNITED STATES OF AMERICA)	DOCKET NO. 5:09 CR-27
)	
v.)	SUPERSEDING BILL OF
)	INDICTMENT
)	
1) BERNARD VON NOTHAUS)	VIOLATIONS:
2) WILLIAM KEVIN INNES)	18 USC § 371
3) SARAH JANE BLEDSOE)	18 USC § 485
4) RACHELLE L. MOSELEY)	18 USC § 486
)	18 USC § 2

THE GRAND JURY CHARGES:

INTRODUCTORY PARAGRAPHS

1. NORFED, the National Organization for the Repeal of the Federal Reserve and Internal Revenue Codes, together with its officers, members, associates, and customers (collectively NORFED), was founded by Bernard von NotHaus in 1998. In or around 2007 NORFED was renamed Liberty Dollar Services, Inc.
2. NORFED was in operation from in or about 1998 to in or about May 2009.
3. Bernard von NotHaus was the president of NORFED and the Executive Director of Liberty Dollar Services, Inc. until on or about September 30, 2008. He is also the Regional Currency Officer in Evansville, Indiana where NORFED corporate offices are maintained. Bernard von NotHaus designed the Liberty Dollar currency in 1998.
4. William Kevin Innes is the Asheville, North Carolina Regional Currency Officer for NORFED and one of three members of the NORFED Executive Committee.
5. The corporate office, which is also known as the NORFED Fulfillment Office, is located in Evansville, Indiana. The corporate office contracts for the printing and minting of American Liberty Dollar, receives orders and monetary payments in United States Currency for Liberty Dollars, distributes materials, distributes Liberty Dollar currency, and organizes the Liberty Dollar University which trains Regional Currency Officers and Liberty Dollar Associates in methods of sale and

distribution of Liberty Dollars. The Liberty Dollar website, www.libertydollar.org is serviced and maintained at the corporate office. NORFED uses the United States mails and Postal Service to send and receive materials to and from the Fulfillment Office.

6. Until in or around March 2008, Sarah Bledsoe was the NORFED Fulfillment Office manager in Evansville, Indiana.
7. Rachelle Moseley works in the Evansville, Indiana corporate office of NORFED and has been employed as the Regional Currency Officer Manager and Chief Operations Officer.
8. Bernard von NotHaus, NORFED and the members and associates of NORFED have circulated the Liberty Dollar in the United States' economy from 1998 until the present date.
9. NORFED mints the Liberty Dollar coins at the Sunshine Mint in Coeur D'Alene, Idaho.
10. On October 17, 2005, an FBI agent working undercover called NORFED from North Carolina at telephone number 1-888-421-6181. The agent used a credit card to purchase the Liberty Dollar Associate membership and materials and to enroll in Liberty Dollar University, a total purchase of \$550.00.
11. On November 3, 2005, an FBI agent working undercover received the previously ordered Liberty Dollar Associate package in the United States mail. The package contained the NORFED Liberty Dollar Associate introductory packet of materials, which included American Liberty Dollar coins and warehouse receipts.

Purpose and Use of the American Liberty Dollar

12. Since 1998, NORFED has been issuing, disseminating, and placing into circulation, including by use of the Postal Service and United States mails, the Liberty Dollar in all its forms throughout the United States and Puerto Rico. The purpose of NORFED is to mix Liberty Dollars into the current money of the United States. NORFED intends for the Liberty Dollar to be used as current money in order to limit reliance on, and to compete with, United States currency.
13. The Liberty Dollar, which is created in paper and coin form, is intended by NORFED to be a circulating currency used to purchase goods and services. Because NORFED, as a core belief, views United States currency as worthless, it intends the Liberty Dollar to be used as current money in order to limit reliance on, and to compete with, Federal Reserve Notes and coinage.

14. The NORFED Liberty Dollar coins are marketed as an inflation proof currency intended to be spent like U.S. Federal Reserve Notes and coins, and are alleged to be backed by and redeemable for silver and gold.
15. Bernard von NotHaus authored a book entitled *The Liberty Dollar, America's Inflation Proof Currency, 100% backed by and Redeemable in Gold and Silver (hereinafter The Liberty Dollar)*. In his book, von NotHaus writes that "the Liberty Dollar is 'direct competition' to the current money of the United States", and that the Liberty Dollar is a "free market currency" which is designed "to be in commerce" and is "meant to be spent".
16. In *The Liberty Dollar* . . . (p. 20-21), paying for goods and services with Liberty Dollars is described by von Nothaus as follows:

When the FRN are mixed with the Silver Liberty, the acceptance rate is nearly 100%. I've only been refused once out of hundreds of transactions. Second, when I get to the cashier, I say 'I have the paper, [show them the FRN cash], but I would like to pay with silver.' I then drop the \$10 Silver Liberty in the cashier's hand. Then wait. . . . When they ask 'is it real?' I always answer: 'Yes, ounce of silver, 10 dollars.' Let them look at it as long as they like. . . If they ask, 'Where did you get it?' my first answer is 'From a friend who collects them, but I like to spend them.' Smile. This lets the know it's inherently valuable and that people collect the and some people spend them, in just one sentence. It also lets the know that you're not crazy to spend this money and there are others doing it too.

Forms of the Liberty Dollar

17. The American Liberty Dollar currency is available in three forms: coins, warehouse receipts, and eLiberty Dollars (Digital / Electronic Liberty Dollars).
18. There are five primary coins issued, exchanged, presented, uttered and circulated by NORFED: one dollar, five dollar, ten dollar, twenty dollar, and fifty dollar.
19. NORFED states that the currency is 100% backed by silver or other precious metals.

Members of the Organization

20. There are four levels of membership, or participation, in NORFED. The first is a Regional Currency Officer (RCO) who markets the currency regionally. Regional Currency Officers pay an annual fee to obtain a geographic region where they sell and distribute the Liberty Dollars, and where they also recruit new members.
21. The second level of participation or membership is the Liberty Dollar Associate. The Liberty Dollar Associate pays \$250.00 (U.S. currency) for membership. The Associate then receives 100 Liberty Dollars (coins and warehouse receipts), information about and access to eLiberty Dollars, and a packet of information which is designed to help them market the Liberty Dollar currency. Once the Liberty Dollar Associate is a member, they can then purchase Liberty Dollars at a discounted rate from their regional currency officer or from the NORFED website. The person who referred the new Liberty Dollar Associate (typically another Liberty Dollar Associate or Regional Currency Officer) receives 100 Liberty Dollars as a referral fee. NORFED keeps the remaining \$50 U.S. currency as profit.
22. The third level of membership is the Merchant. Merchants are typically people within the community or own or run a business which accepts U.S. currency as payment for goods and services. Merchants are recruited by members of the Liberty Dollar organization to accept Liberty Dollar currency in exchange for goods and services, just as the merchant would accept official U.S. currency. The Regional Currency Officers and Liberty Dollar Associates focus on recruiting merchants, not only to make money from the referral fee, but also to provide a place where the Liberty Dollar currency is accepted for goods and services. Merchants are encouraged to purchase Liberty Dollar currency at a discount and then to use the Liberty Dollar currency to make change for U.S. Currency. In making the exchange, the Liberty Dollar Merchant can make a profit and further place Liberty Dollars into circulation. Typically, Liberty Dollar Merchant's are willing to participate in the Liberty Dollar exchange not only for profit, but also for the free advertising which is promised by the Liberty Dollar organization. Some are convinced, by the Liberty Dollar RCO or associate to participate to show "unity" with other local merchants.
23. *The Liberty Merchant Handbook*, which is published by NORFED and has been in use by NORFED since 2003, describes the role and activities of Liberty Merchants. This *Handbook* states that a Liberty Merchant must agree "to accept Liberty currency when presented" and "agree to offer Liberty currency as change [for U.S. currency] whenever possible". The *Handbook* further provides that the Liberty Merchant makes a profit by giving Liberty Dollars "out as change".

24. The fourth level of participation in the Liberty Dollar scheme is the purchaser who receives money from Liberty Dollar Merchant as change for a purchase. Some purchasers knowingly and willingly accept the Liberty Dollar currency as change. Other purchasers however do not know that they have been provided Liberty Dollar currency as change for a purchase because the Liberty Dollar currency appears to be official U.S. currency. Thus, in this instance, the unknowing customer has been provided coinage which cannot legally be used as U.S. currency, nor can it be deposited into the U.S. banking system because it is not U.S. currency.

The Profit Scheme

25. NORFED, the Regional Currency Officers, Associates, and member Merchants make a profit circulating the currency. NORFED sells the American Liberty Dollar to Regional Currency Officers, Associates, and Merchants at a price greater than the daily spot price of silver, but less than monetary denomination reflected on the currency's face value. NORFED's profit is the difference between the value for which the silver minted in the coin was purchased by NORFED, and the price for which it sells the coin.
- a. On or about November 15, November 22, November 23, December 9, December 28, 2005, and other occasions in 2005, RCO Innes purchased \$10 and \$20 Liberty coins from NORFED. Innes placed his order with NORFED. The order was then shipped by NORFED to either his residence or Post Office Box in Asheville, North Carolina.
 - b. On or about May 16, December 6, and other occasions in 2006, Regional Currency Officer Innes purchased \$20 Liberty coins from NORFED. Innes placed his order with NORFED. The order was then shipped by NORFED to either his residence or Post Office Box in Asheville, North Carolina.
 - c. On or about February 19, April 18, October 5, and other occasions in 2007, Regional Currency Officer Innes purchased \$20 Liberty coins from NORFED. Innes placed his order with NORFED. The order was then shipped by NORFED to either his residence or Post Office Box in Asheville, North Carolina.
26. Regional Currency Officers, Associates and Merchants sell the Liberty Dollar coin at a greater price than they pay for it. Thus, the profit for these individuals is the difference between their discounted purchase price and the price for which they sell the coin, or in the Merchant's case, the value that they equalize it to U.S. currency when making change.

27. A person who is not affiliated with NORFED pays the face value minted on the coin.

2006 Warning by the United States Mint

28. On September 14, 2006, the United States Mint issued a press release and warning to American citizens that the Liberty Dollar was "not legal tender". The Mint press release and public service announcement stated that the Department of Justice had determined that the use of Liberty Dollars as circulating money was a federal crime. Thereafter, the U.S. Mint mailed copies of the press release/public service announcement to known NORFED regional currency officers. Additionally, NORFED alerted Regional Currency Officers and members of the Media regarding the U.S. Mint warning.
29. Since the U.S. Mint issued the warning, NORFED, its officers, members, and associates, have continued to circulate the Liberty Dollar in commerce.
- a. On or about November 15, November 22, November 23, December 9, December 28, 2005, Regional Currency Officer Innes purchased Liberty coins from NORFED, sold Liberty coins to Liberty Dollar Associates and Merchants, and uttered Liberty Dollar coins to the public in the Western District of North Carolina.
 - b. On or about May 16, December 6, and other occasions in 2006, Regional Currency Officer Innes purchased Liberty coins from NORFED, sold Liberty coins to Liberty Dollar Associates and Merchants, and uttered Liberty Dollar coins to the public in the Western District of North Carolina.
 - c. On or about February 19, April 18, October 5, and other occasions in 2007, Regional Currency Officer Innes purchased Liberty coins from NORFED, sold Liberty coins to Liberty Dollar Associates and Merchants, and uttered Liberty Dollar coins to the public in the Western District of North Carolina.
30. In October 2005, Liberty Dollar University (LDU) number 7 was held in the Western District of North Carolina. Innes and von NotHaus were both lecturers at the conference. Rachelle Moseley and Sarah Bledsoe helped to market LDU number 7, and assisted in the preparation of the conference. At the conference, von Not Haus identified Rachelle Moseley and Sarah Bledsoe as employees of NORFED. During a lecture at this conference, von NotHaus told attendees that the Liberty Dollar was "entirely legal", but that they should not contact the FBI or the United States Secret Service because to do so would "kick a sleeping dog".

He also told the attendees not to use the word "coin", instead they should call the Liberty Dollar "currency". He also instructed attendees that they should tell merchants, to whom they wanted to sell the Liberty Dollar, that they should use the terminology "making money by making change". Thus encouraging the merchants to provide Liberty Dollars to unsuspecting customers as change, instead of using United States currency as change. Von NotHaus also advised that NORFED would be issuing Liberty Dollar coins for each state, and planned to release these coins during the same time that the U.S. Mint was introducing the State nickle. Von NotHaus also stated, during a lecture, that NORFED was making a profit of more than \$1,000,000 United States Dollars per year. He also stated that there were approximately \$15 million Liberty Dollars in circulation.

31. In November 2006, at a meeting in the Western District of North Carolina, Bernard von NotHaus stated that the U.S. Mint warning was "wrong" and that Liberty Dollar activities were lawful. He stated that there were \$20 million Liberty Dollars in circulation, thus competing with U.S. currency. He also advised attendees about the language of the U.S. Mint warning, and how they should avoid terminology which associated the Liberty Dollar with U.S. currency. Thus, he encouraged Liberty Dollar users to continue with their distribution activities, but to avoid certain terminology. He advised that the U.S. Mint warning was "a lie".
32. At a meeting in March 2007 in the Western District of North Carolina, Bernard von NotHaus discussed the U.S. Mint warning with Liberty Dollar merchants, associates, and RCO Innes. Von NotHaus stated that NORFED was a multi-million dollar company. Again, von NotHaus advised attendees that the Liberty Dollar was legal.

Resemblance to Legal Tender and Coins of the United States

33. Article I, section 8, clause 5 of the United States Constitution delegates to Congress the power to coin Money and to regulate the Value thereof. This power was delegated to Congress in order to establish and preserve a uniform standard of value. Along with the power to coin money, Congress has the concurrent power to restrain the circulation of money which is not issued under its own authority in order to protect and preserve the constitutional currency for the benefit of the nation. Thus, it is a violation of law for private coin systems to compete with the official coinage of the United States.
34. In accordance with the U.S. Constitution, Federal Reserve Notes (FRN's), obligations, and securities of the United States which are issued by the U.S. Bureau of Engraving and Printing, and coins which are issued by the U.S. Mint, are the current money of the United States.

35. Liberty Dollar coins resemble coins of the United States. Liberty Dollar coins of five, ten, twenty, and fifty dollars are engraved with the “\$”(dollar sign) which signifies and is universally known as the symbol for the United States dollar. In addition, the word “dollar” is printed on the coins.
36. The five “dollar” denomination of the Liberty Dollar is the same size as the Kennedy half-dollar coin of the United States.
37. The ten “dollar” denomination of the Liberty Dollar is the same size as the Eisenhower dollar coin of the United States.
38. United States coins in the denominations of dollar, half-dollar, quarter, dime and nickel are engraved with the phrase “In God We Trust”. Liberty Dollar coins of five, ten, twenty and fifty “dollars” are engraved with the phrase “Trust in God”.
39. United States coins in the denominations of dollar, half-dollar, quarter, dime and nickel are engraved with the word “Liberty”. Liberty Dollar coins of five, ten, twenty and fifty “dollars” are engraved with the word “Liberty”.
40. The dime of the United States is engraved with a burning torch. The one dollar coin of the United States is engraved with the Statue of Liberty holding a burning torch. Liberty Dollar coins of five, ten, twenty, and fifty “dollars” are engraved with a burning torch.
41. The one-dollar James Monroe coin of the United States is engraved with the Statue of Liberty. Liberty Dollar coins of five, ten, twenty and fifty “dollars” are engraved with a crowned head remarkably similar, if not exactly the same, as the crowned head on the Statue of Liberty.
42. United States coins in the denominations of half-dollar, quarter, dime and nickel are silver in color. Liberty Dollar coins in the denominations of five, ten, twenty, and fifty “dollars” are silver in color.
43. Liberty Dollar coins in the denominations of five, ten, twenty, and fifty “dollars” are engraved with “USA”.
44. In *The Liberty Dollar*..., Bernard von NotHaus writes that “[w]hen the FRN’s [legal U.S. coins] are mixed with the American Liberty Dollar coins, the acceptance rate is nearly 100%”.

COUNT ONE

45. Paragraphs One through Forty-Four of the Introduction to this Superseding Bill of

Indictment are re-alleged and incorporated by reference into Count One.

46. From in or around January 1998 and continuing until in or around May 2009, in the Western District of North Carolina, and elsewhere,

- 1) **BERNARD VON NOTHAUS**
- 2) **WILLIAM KEVIN INNES**
- 3) **SARAH JANE BLEDSOE**
- 4) **RACHELLE L. MOSELEY**

did knowingly, and unlawfully combine, conspire, confederate and agree with each other, and with other persons both known and unknown to the grand jury, to commit the following offenses against the United States:

- A. It was a part and an object of the conspiracy that the defendants, and others both known and unknown to the grand jury, (1) did falsely make, forge and counterfeit any coin, to wit, the Liberty Dollar coins as identified in the Introduction, in resemblance and similitude of coins of a denomination higher than five cents, coined or stamped at any mint or assay office of the United States or in actual use and circulation as money within the United States and (2) did pass, utter, publish, sell, and possess any false, forged, or counterfeit coin, to wit, the Liberty Dollar coins as identified in the Introduction, knowing the same to be false, forged or counterfeit, with intent to defraud any body politic or corporate, or any person, all in violation of Title 18, United States Code, Section 485.
- B. It was a part and an object of the conspiracy that the defendants, and others both known and unknown to the grand jury did make, utter and pass, and attempt to make, utter and pass, a coin of silver intended for use as current money, in resemblance of genuine coins of the United States, or of original design, to wit, the Liberty Dollar coins as identified in the Introduction, all in violation of Title 18, United States Code, Section 486.

Overt Acts

47. In furtherance of the conspiracy, the defendants engaged in the overt acts set forth in the introductory paragraphs, among others.

All in violation of Title 18, United States Code, Section 371.

COUNT TWO

48. Paragraphs One through Forty-Seven of the Introduction to this Indictment are re-

alleged and incorporated by reference into Count Two.

49. From in or around June 2004 until in or around May 2009, in the Western District of North Carolina, and elsewhere,

- 1) BERNARD VON NOTHAUS**
2) WILLIAM KEVIN INNES

(A) did falsely make, forge and counterfeit any coin, to wit, the Liberty Dollar coins as identified in the Introduction, in resemblance and similitude of coins of a denomination higher than five cents, coined or stamped at any mint or assay office of the United States or in actual use and circulation as money within the United States and (B) did pass, utter, publish, sell, and possess any false, forged, or counterfeit coin, to wit, the Liberty Dollar coins as identified in the Introduction, knowing the same to be false, forged or counterfeit, with intent to defraud any body politic or corporate, or any person, and did aid and abet each other in violation of Title 18, United States Code, Section 485 and 2.

COUNT THREE

50. Paragraphs One through Forty-Nine of the Introduction to this Indictment are re-alleged and incorporated by reference into Count Three.
51. From in or around June 2004 until in or around May 2009, in the Western District of North Carolina, and elsewhere,

- 1) BERNARD VON NOTHAUS**
2) WILLIAM KEVIN INNES

did make, utter and pass, and attempt to make, utter and pass, a coin of silver intended for use as current money, in resemblance of genuine coins of the United States, or of original design, to wit, the Liberty Dollar coins as identified in the Introduction, and did aid and abet each other, in violation of Title 18, United States Code, Section 486 and 2.

NOTICE OF FORFEITURE AND FINDING OF PROBABLE CAUSE

Pursuant to Fed. R. Crim. P. 7(c)(2) and 32.2(a), notice is hereby given that the defendant has or had a possessory or legal interest in the following property that is subject to forfeiture:

- (a) all property involved in the violations alleged in this Bill of Indictment;
- (b) all property that facilitated or was used in such violations;
- (c) all property which is proceeds and gross receipts of such violations; and,
- (d) in the event that any property described in (a), (b), and (c) cannot be located upon the exercise of due diligence; has been transferred or sold to, or deposited with, a third party; has been placed beyond the jurisdiction of the court; has been substantially diminished in value; or has been commingled with other property which cannot be divided without difficulty, all other property of the defendant, pursuant to 21 U.S.C. § 853(p) and Fed. R. Crim. P. 32.2(e), to the extent of the value of the property described in (a), (b), and (c).

The Grand Jury finds probable cause to believe that the following property is subject to forfeiture on one or more of the grounds stated above:

Pursuant to the provisions of 18 U.S.C. § 492 and 18 U.S.C. § 982(a)(2)(B):

because it is counterfeit of coins and obligations and other securities of the United States, in violation of 18 U.S.C. §§ 485 and 486;

because it is articles, devices, and other things made, possessed, or used in violation of Chapter 25 ("Counterfeiting and Forgery"), Title 18, United States Code, including 18 U.S.C. §§ 485 and 486;

because it is materials and apparatuses possessed and used and fitted and intended to be used, in the making of such counterfeits, articles, devices or things, without authority from the Secretary of the Treasury or other proper officer, in violation of 18 U.S.C. §§ 485 and 486;

because it is coins or bars in resemblance and similitude of any coin of a denomination higher than 5 cents and any gold or silver bar coined and stamped at any mint and assay office of the United States, in violation of 18 U.S.C. §§ 485 and 486;

because it is coins of gold, silver, and other metals and alloys thereof, made, passed, and uttered and intended to be made passed and uttered, intended for use as current money of the United States, and in resemblance of coins of the United

States and of original design, in violation of 18 U.S.C. § § 485 and 486.

Pursuant to 18 U.S.C. § 982(a)(2)(A) and 18 U.S.C. § 982(a)(3)(E); and 18 U.S.C. § 981(a)(1)(C), 28 U.S.C. § 2461, 18 U.S.C. § 1956(c)(7), and 18 U.S.C. § 1961(1),

because it is property which constitutes or is derived from proceeds and gross receipts traceable to the offense of mail fraud, a violation of 18 U.S.C. § 1341:

3039.375 Pounds of Copper Coins,

5930.32 Troy Ounces of Silver Coins,

63.24 Troy Ounces of Gold Coins,

3 Platinum Coins,

168,599 Silver Troy Ounce Coins,

147 Gold Troy Ounce Coins,

17 Gold .05 Troy Ounce Coins,

710 Silver .5 Troy Ounce Coins,

11 Silver Bars and Silver scrap totaling 10,720.60 Troy Ounces,

1,000.5 Troy Ounces of Silver Coins,

1,000.5 Troy Ounces of Silver Coins,

Dies, Molds, and Casts Seized at Sunshine Minting, Inc. on November 14, 2007,

16,000.05 Troy Ounces of Raw Silver,

100 Ounces of Copper Coins,

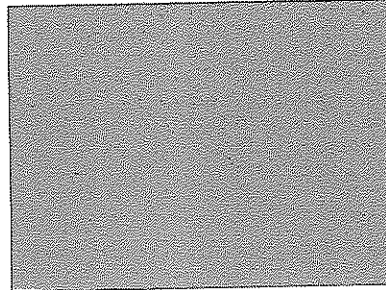
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\$254,424.09 in United States Currency,

A TRUE BILL:



ANNE M. TOMPKINS
UNITED STATES ATTORNEY


JILL WESTMORELAND ROSE
ASSISTANT U.S. ATTORNEY


MARK ODULIO
ASSISTANT U.S. ATTORNEY